

Message Text

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47

ACTION EB-07

INFO OCT-01 CIAE-00 COME-00 DODE-00 NRC-05 NSAE-00 USIA-06

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P R 220950Z SEP 76

FM AMCONSUL STUTTGART

TO SECSTATE WASHDC PRIORITY 3105

AMCONSUL FRANKFURT PRIORITY

INFO AMEMBASSY BONN

AMCONSUL HAMBURG

AMCONSUL MUNICH

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EXCON

E. O. 11652: N/A

TAGS: ESTC GW UR

SUBJ: PRE-LICENSE CHECK: PAUL HERMANNFABRIK

(OEA/CD CASE NO. 11(76)-12)

REF: A) STATE 229916 (BEING REPEATED FRANKFURT, B) STUTTGART

1119, C) STUTTGART 1122

SUMMARY: CONGEN OFFICER VISITED SUBJECT FIRM SEPTEMBER 21 AS REQUESTED. PENDING ADDITIONAL INFORMATION FROM BUNDESAMPT FUER GEWERBLICHE WIRTSCHAFT FRANKFURT AND DEPARTMENT'S CONCURRENCE, CONGEN STUTTGART RECOMMENDS ISSUANCE OF EXPORT PERMIT BEFORE SEPTEMBER 30. END SUMMARY.

1. CONGEN OFFICER VISITED PAUL HERMANNFABRIK SEPTEMBER 21, AS REQUESTED REFTEL A. OWNER PAUL HERMANN AND STAFF STATED THEY HAD CANCELLED THEIR ORDER FOR XYNETIC EQUIPMENT IN 1975 PRIOR TO ACTUAL SALE AFTER MAKING DECISION THAT THE XYNETIC EQUIPMENT WAS MORE EXPENSIVE AND COMPLICATED THAN THE FIRM COULD ACTUALLY USE. THE DECISION WAS MADE TO CONCENTRATE INSTEAD ON LESS COMPLICATED MECHANICAL COMPONENTS AND MEDI-
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CAL EQUIPMENT WHICH THEIR FACILITIES WERE MORE SUITED TO MANU-

FACTURE. FEAR OF SEVERE COMPETITION FROM MORE EXPERIENCED AND LARGER FIRMS CONTRIBUTED TO THIS DECISION. THE XYNETIC EQUIPMENT WOULD IN ANY CASE HAVE BEEN USED TO MANUFACTURE COMPONENTS UNDER CONTRACT FOR LARGER FIRMS.

2. OWNER HERMANN PROVIDED A LETTER FROM HIS FILES DATED JUNE 9, 1975 INFORMING THE BUNDESAMPT FUER GEWERBLICHE WIRTSCHAFT (BGW) THAT THE FIRM HAD TERMINATED THE PROPOSED XYNETIC PURCHASE. WITH THIS LETTER THE FIRM ALSO RETURNED TO THE BGW THE IMPORT PERMIT, WHICH HAD BEEN ISSUED IN CONJUNCTION WITH US I.E. NO. 548101 DATED MARCH 14, 1975. HERMANN STATES THIS WAS HIS FIRM'S LAST INVOLVEMENT WITH THE XYNETICS TRANSACTION. THIS NUMBER DIFFERS FROM THE NUMBER IN REF A.

3) THE IC NO. AND DATED LISTED IN EF A (NO. 548754 OF MAY 23, 1975) INDICATE THAT A SECOND PERMIT WAS ISSUED SOON AFTER SUBJECT FIRM WITHDREW FROM THE SALE. HERMANN FABRIK INSISTED THEY HAD NO RECORD OR RECOLLECTION OF DEALING EITHER WITH INTERTRADE/MUNICH OR RICHARD MUELLER SEMITRONIC/HAMBURG.

4. SUGGEST FRANKFURT CHECK WITH BGW ASAP TO CONFIRM SUBJECT FIRM'S WITHDRAWAL FROM PROPOSED SALE ON JUNE 9, 1975 AND ESTABLISH ACTUAL SOURCE OF SUBSEQUENT APPLICATION. OUR FILES (HAMBURG 1084 OF 1975) HINT RICHARD MUELLER MAY IN THE PAST HAVE MADE OTHER EXPORT PERMIT APPLICATIONS FALSELY LISTING FIRMS AS ULTIMATE CONSIGNEE. TRANSLATION OF DOCUMENTS IN PARA 7 OF REFTEL MAY SHED SOME LIGHT ON THIS.

5. HERMANNFABRIK PLANS TO USE THE BURLINGTON EQUIPMENT IN THE PRESENTLY PROPOSED SALE TO MANUFACTURE SMALL NON-ELECTRONIC PARTS UNDER CONTRACT TO AN UNNAMED LARGER MEDICAL COMPONENTS FIRM. THE EQUIPMENT WOULD BE MODIFIED TO PRODUCE SMALL MECHANICAL COMPONENTS BY PHOTOGRAPHIC REDUCTION AND ETCHING. EQUIPMENT WOULD BE INSTALLED IN A NEW PLANT PRESENTLY UNDER CONSTRUCTION, WHICH CONGEN OFFICER VISITED. HERMANN'S SON, AN ENGINEER, PLANS TO HIRE A CONSULTING ENGINEER TO SUPERVISE THE INSTALLATION OF THE EQUIPMENT, ALTHOUGH HE BELIEVES THAT BY MODIFYING THE EQUIPMENT FOR MANUFACTURE OF NON-ELECTRONIC PRODUCTS THE NEED FOR A CONTROLLED TEMPERATURE, DUST FREE ENVIRONMENT WOULD BE REDUCED OR ELIMINATED.

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6. FIRM IS ANXIOUS TO COMPLETE SALE BY SEPTEMBER 30 AS LETTER OF CREDIT EXPIRES AT THAT TIME. AFTER THAT TIME FIRM WOULD BE FORCED TO PURCHASE SIMILAR BUT LESS DESIRABLE FRENCH EQUIPMENT.

7. ALTHOUGH DIFFICULT TO STATE WITH ABSOLUTE CERTAINTY SUBJECT FIRM'S PAST ACTIONS WITHOUT EXAMINING BGW'S FILES IN

FRANKFURT, OUR IMPRESSION IS THAT THEY WITHDREW IN GOOD
STANDING, AS STATED, FROM THE XYNETIC TRANSACTION. IF FRANK-
FURT CAN SUBSTANTIATE THIS, AND IT IS INDEED POSSIBLE TO USE
THE PRESENT BURLINGTON EQUIPMENT FOR NON-ELECTRONIC PRO-
DUCTS, WE WOULD RECOMMEND APPROVAL OF THE SALE AS SOON AS
POSSIBLE. FIRM SEES THE PROJECT USING THE BURLINGTON AS AN
IMPORTANT AID IN IMPROVING THE FINANCIAL STANDING OF THE
FIRM, DESCRIBED IN OUR RECENT WTDR (REF C). AGAIN, IF FRANK-
FURT IS ABLE TO SUBSTANTIATE SUBJECT FIRM'S WITHDRAWAL FROM
XYNETIC SALE, WE FEEL THIS WEAKENED FINANCIAL POSITION
SHOULD NOT BE CONSIDERED A TEMPTATION FOR ILLEGAL RESALE
OF BURLINGTON EQUIPMENT. FIRM WAS VERY ANXIOUS TO HAVE THE
US RATHER THAN THE FRENCH EQUIPMENT, AND READILY AGREED TO
AN END-USER CHECK BY CONSULATE IN SIX MONTHS TIME, WHEN WE
WILL VERIFY LOCATION AND USE OF EQUIPMENT. SCHMELZER

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